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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

APR 12 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
Federal-State Joint Board on) CC Docket No. 96-45
Universal Service)

COMMENTS OF THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY

The Southern New England Telephone Company respectfully submits these comments to respond to the Federal Communications Commission's (Commission's) NPRM on Universal Service.¹ These comments focus on the underlying concepts to be addressed in establishing any subsidy program as we recognize that the goal of providing universally available access to telecommunications services must permeate all of the proceedings necessary to implement the Telecommunications Act of 1996.

I. Introduction

Within the past two years the State of Connecticut has opened all of the telecommunications markets in the State to competition. SNET has been a major industry participant in supporting this evolution as well as a major recipient of the effects of this competition. We generally concur and support the comments being filed by the United States Telephone Association on this NPRM as to the point by point responses requested. In general, we believe that any subsidy program should be targeted to the service consumer rather than the service provider, and that the states, because of their understanding of the local service market, may be in the best position to evaluate and

¹ In the Matter of Federal-State Joint Board on Universal Service, Notice of Proposed Rulemaking and Order Establishing Joint Board (NPRM) CC Docket No. 96-45, released March 8, 1996.

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implement, where necessary, subsidy programs. Our comments will focus on the information we have learned as a result of the Connecticut transition to competition and our belief that any subsidy mechanism should be explicit, carefully targeted, competitively neutral and appropriate in size and scope to the jurisdiction ordering and administering the subsidy. To the extent possible, the states should be allowed to develop and administer appropriate subsidy mechanisms to further the goals of the Federal legislation as they relate to universal service.

The Telecommunications Act of 1996 (the Act) signaled an end to the era of monopoly telecommunications providers, setting the stage for sweeping changes in the telecommunications industry across the nation, just as passage of Public Act 94-83, An Act Implementing the Recommendations of the Telecommunications Task Force, did for Connecticut almost two years ago. The experience in Connecticut to date may prove helpful to the Commission and the Joint Board in implementing the Act, and, in particular, deciding on the appropriate mechanism to promote universal service. Additionally, from our experience in implementing the state legislation, we have identified those objectives that are essential to any universal service subsidy mechanism if it is to effectively achieve its goals while not impeding competition. The subsidy mechanism must be explicit, competitively neutral, carefully targeted, and the need for the subsidy must be proven. Further, any subsidy mechanism must be appropriate to the jurisdiction, i.e., a state subsidy mechanism should generally ensure appropriate recovery of costs assigned to the state jurisdiction under the Part 36 Separations rules while a federal subsidy mechanism should recover costs assigned to the federal jurisdiction. The success of any subsidy

program requires that these principles be thoroughly addressed and carefully balanced with the public benefits that competition offers for society. Our experience in Connecticut offers a useful model that may assist the Commission in implementing the federal legislation.

II. The establishment of extensive support mechanisms is antithetical to moving towards a competitive environment.

The Act is substantially in concert with the legislation enacted by the Connecticut State Legislature in 1994, the first such state legislation to open a statewide local service market to competition. Both the Act and the Connecticut legislation have common goals to ensure high quality affordable services are made available to consumers, and to promote efficient and advanced infrastructure development, while breaking down regulatory barriers and promoting the development of effective competition. The Connecticut Department of Public Utility Control (CDPUC) is in the forefront nationally in broadly authorizing exchange and intrastate access competition for all market players including facilities based providers and resellers. For nearly two years, SNET has worked cooperatively with the state legislature, the CDPUC, and the industry to successfully implement the introduction of competition in Connecticut, including local service competition, while continuing to balance these initiatives with the objective of the legislation to ensure the universal availability and accessibility of high quality, affordable telecommunications services to all residents and businesses in the state.

As a result of the proceedings with the CDPUC to implement the 1994 state legislation, the Connecticut telecommunications landscape now looks quite different from

other states. Seven providers are certified to provide local service and over 100 providers are certified to provide intrastate/intralata toll service. Additionally, fifty percent of the state has been converted to equal access for intrastate toll service with the remainder of the state to be converted by year end. The implementation of the state legislation in Connecticut provides a good basis of experience which can be utilized in implementing the recent federal Telecommunications Act, as the issues that have been and continue to be addressed include unbundling, competitive provision of local service, and universal service.

The CDPUC has completed separate proceedings on the functional definition of basic telecommunications service, continuation of the existing state Lifeline Service, and a discussion of the underlying concepts and general framework of a universal service program should one be deemed necessary.² The CDPUC has recognized that a careful review of the impact of the recent market changes, as well as the cost structure and related prices of the incumbent Local Exchange Carrier (LEC) is needed in order to assess the benefits of establishing a state Universal Service Fund. In fact, based on data through November 1995, Connecticut already has one of the highest telephone penetration rates in the nation of 96.9%.³ The CDPUC is still in the process of evaluating the need for a Universal Service Fund for the State.

² Docket No. 94-07-07 Decision released 2/28/95 provided as Attachment 1, Docket No. 94-07-08 Decision released 3/31/95 provided as Attachment 2, Docket No. 94-07-09 Decision released 5/3/95 provided as Attachment 3, *appeals pending*, Metro Mobile CTS of Fairfield County, Inc. et al, v. Connecticut DPUC (CV 95-0555232 S)(Dockets 94-07-08, 94-07-09).

³ FCC Industry Analysis Division, Common Carrier Bureau, Telephone Subscribership in the United States (Data Through November 1995), released February 1996, Table 2.

In the State of Connecticut the issue of establishing a universal support mechanism to replace the past implicit mechanisms is not a foregone conclusion. The CDPUC wisely recognizes that the benefits of establishing such a mechanism must be carefully weighed against the competitive impacts. In its Decision in Docket No. 94-07-08, the CDPUC states “Such a Universal Service Program fund would only be established if and when the Department determined that supplemental funding to that already available to telecommunications services providers and to the public is necessary.”⁴ Similarly, the Act refers the issue of the continuation or establishment of a Universal Service Fund (USF) to a Joint Board, but does not mandate the continuation of such a Federal Fund. While it is necessary to ensure universal service exists at each stage of increased competition, extensive competition may very well obviate the need for a support mechanism. Therefore, in assessing the need for a subsidy mechanism, the Commission should insure that the mechanism proposed does not harm the very competition necessary to eliminate the need for universal service funding.

III. Any subsidy program must be explicit, competitively neutral, and carefully targeted in order to coincide with the objective of promoting competition.

As competition develops, it is imperative that the incumbent LEC not be disadvantaged in the market. Any universal service support mechanisms must ultimately be made explicit. To effectively coexist with competition, all market participants must contribute, and the funding mechanism must be competitively neutral.

The implicit subsidies embedded in today’s rates must be made explicit in order to develop a competitively neutral funding mechanism for universal service. The incumbent

⁴ Docket 94-07-08 at Section IV.H.

LECs have subsidies built into their rates which promote universal service by ensuring that rates for basic local service are kept generally affordable in that the rates have generally been averaged across an entire study area and have been structured in ways that ensure that cross subsidization among services exists. Additionally, incumbent LECs have been required to provide Long Term Support payments in order to ensure that nationwide interstate carrier common line access rates are substantially uniform across the nation. Further, interexchange carriers have implicit subsidies included in the rates that they pay for access. These types of implicit funding mechanisms cannot coexist with effective competition, and should be phased out over time. If any subsidy program is needed, the target for the support must be clearly identified, and the mechanism employed to provide the subsidy must be made explicit and competitively neutral. For example, the current federal and state programs for affordability (Lifeline and Link Up) are examples of explicit universal service support mechanisms that clearly promote universal service by ensuring that end users are provided the financial resources to connect to the public switched network when appropriate financial need exists.

As stated above, the Act is generally consistent with the legislation enacted in Connecticut in 1994. As a result of these Acts it is necessary to review and change, where necessary, regulations that are contrary to the objectives. In this context, it is important to ensure that requirements of any universal service program are less burdensome and require less regulation than exists today, in order to encourage market forces to drive the market decisions required in order to migrate to effective competition. Changes made to the existing Federal universal service mechanisms must not merely overlay additional

requirements on what is in place already, but rather, minimize the regulation of the incumbent providers and establish a level playing field with the new market entrants.

IV. The Commission should address the universal service needs from an interstate perspective and allow the States to address state universal service requirements.

The Act requires that there be “specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.”⁵ The Commission is responsible for determining what services are to be funded by a Federal mechanism versus a State mechanism. The existing federal USF has served a useful purpose in facilitating the major industry changes after divestiture. However, it may not be meaningful or wise to continue the USF in its current structure in the future, as the transition toward a fully competitive marketplace evolves. Any subsidy program, however explicit in nature, will create distortions in the market regardless of the extent of competition. Therefore, it is now appropriate to consider restructuring the USF to further the goals of the Act.

While it may be appropriate for the Commission to establish minimum requirements for addressing Universal Service in order to promote the principles of the Act on a nationwide basis, it is not appropriate for the Commission to construct a Federal Universal Service Fund that supports anything other than the interstate portion of the minimum requirements for Universal Service. The Commission has jurisdiction over interstate services and can appropriately address the Act as it relates to these services. However, the States have jurisdiction over intrastate services, and to the extent that they are now obligated, by law, to preserve universal service, they should be allowed to do so for all intrastate services. Furthermore, each state situation may be unique in that states

⁵ Act, Section 254(b)(5).

may have varying levels of competition, may be at different stages in opening up markets to competition, and may be instituting different pricing plans and policies.

The Act requires the establishment of explicit support mechanisms to provide access to advanced telecommunications services for schools, libraries, and healthcare providers in addition to any mechanisms required to generally ensure universal service accessibility. Connecticut is not unique in its past efforts to address the general availability of universal service as well as the promotion of advanced telecommunications services to public institutions. Other states as well, have already made commitments to promoting and supporting bringing the advantages of the information superhighway into public institutions such as schools. These initiatives may be at varying stages depending on the state.

The advances made by certain states in connecting public institutions to the information superhighway must be considered in the development of any such program on a nationwide basis. This in itself could be a formidable process in order to ensure that a state that has initiated programs is not disadvantaged. Ultimately, it may become clear that mechanisms that support public institutions' connectivity to the information superhighway may be best entirely managed at the state level. This would more easily allow the public institutions themselves to become involved in the entire process.

V. Summary

The State of Connecticut is unique in that it has implemented legislation similar to the Federal legislation in 1994. Many of the issues in this proceeding have already been addressed in Connecticut, and are at various levels of being addressed in many other

states. The experience of dealing with these issues among the states should provide a strong base of knowledge as these matters are considered by the Commission and the Joint Board.

The principles which we in Connecticut have discovered to be necessary in order to ensure universal service while promoting the development of effective competition include a careful review of the necessity for a universal service support mechanism. Should a support mechanism be deemed appropriate, it must be explicit, competitively neutral, and carefully targeted. Additionally, with the promotion of competition, it is important that the incumbent providers not be disadvantaged. A level playing field for all market participants is required to effectively promote competition.

Since 1994 other states have also begun to address similar issues of competition and universal service. SNET believes that in order for universal service availability to all sectors of the market to become a reality, it is imperative that the States be allowed the flexibility to review and establish, where necessary, funding mechanisms to be utilized to support the goals of the Act, including promoting competition. However, it may be appropriate for the Commission to establish general concepts on which any universal service mechanism should be based in order to effectively balance the goals of universal service with the evolution of a competitive market place. Remaining issues should be left to the states, since their local perspective puts them in the best position to insure local needs are fully addressed.

Respectfully submitted,

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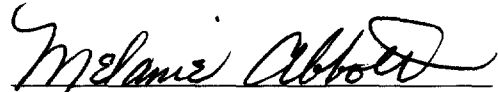
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April 12, 1996

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**DOCKET NO. 94-07-07 DPUC INVESTIGATION OF LOCAL SERVICE OPTIONS,
INCLUDING BASIC TELECOMMUNICATIONS SERVICE
POLICY ISSUES AND THE DEFINITION AND
COMPONENTS OF BASIC TELECOMMUNICATIONS
SERVICE**

February 28, 1995

By the following Commissioners:

Thomas M. Benedict
Reginald J. Smith
Michael J. Kenney

DECISION

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DECISION

I. INTRODUCTION

On July 1, 1994, Public Act 94-83, "An Act Implementing The Recommendations Of The Telecommunications Task Force" (the Public Act or Act), became Connecticut law. The Act is a broad strategic response to the changes facing the telecommunications industry in Connecticut. The technological underpinnings, the framework for a more participative, and ultimately more competitive, telecommunications market, and the role of regulation envisioned by the legislature are essential to the future realization and public benefit of an "Information Superhighway" in Connecticut.

At the core of the Public Act are the principles and goals articulated therein. Section 2 (a) of the Act provides in pertinent part:

Due to the following: affordable, high quality telecommunications services that meet the needs of individuals and businesses in the state are necessary and vital to the welfare and development of our society; the efficient provision of modern telecommunications services by multiple providers will promote economic development in the state; expanded employment opportunities for residents of the state in the provision of telecommunications services benefit the society and economy of the state; and advanced telecommunications services enhance the delivery of services by public and not-for-profit institutions, it is, therefore, the goal of the state to (1) ensure the universal availability and accessibility of high quality, affordable telecommunications services to all residents and businesses in the state, (2) promote the development of effective competition as a means of providing customers with the widest possible choice of services, (3) utilize forms of regulation commensurate with the level of competition in the relevant telecommunications service market, (4) facilitate the efficient development and deployment of an advanced telecommunications infrastructure, including open networks with maximum interoperability and interconnectivity, (5) encourage shared use of existing facilities and cooperative development of new facilities where legally possible, and technically and economically feasible, and (6) ensure that providers of telecommunications services in the state provide high quality customer service and high quality technical service.

Conn. Gen. Stat. § 16-247a (a), as amended by Public Act 94-83.

The central premise of the legislation is that broader participation in the Connecticut telecommunications market will be more beneficial to the public than will broader regulation. It is significant, however, that the Act does not chart a detailed plan for realization of its goals and compliance with its principles. Rather, the Act entrusts

the Department of Public Utility Control (Department) with the responsibility of implementing both the letter and spirit of its important provisions; the Act thus endows the Department with broad powers and procedural latitude as it seeks to achieve the legislative goals through the facilitation of the development of competition for all telecommunications services.

In light of the Public Act, the Department must redirect its future efforts to facilitate market conditions and create regulatory conditions that will maximize the benefits of future competition for the user public of Connecticut. As articulated by the Department's Chairman, Reginald J. Smith, during the June 23, 1994 technical meeting in Docket No. 94-05-26, General Implementation of Public Act 94-83, the passage of Public Act 94-83 places the Department and the telecommunications industry at an unprecedented point in Connecticut regulatory history with an opportunity to define a markedly different future for Connecticut telecommunications. That future is not predetermined by the legislation nor preempted by the wishes of a single party or group.

The Department, therefore, has established a framework for the implementation of Public Act 94-83 that will allow it the opportunity to fully and publicly explore all the alternatives available to it under the terms and conditions of the legislation and establish therefrom appropriate regulatory mechanisms to reflect legislative intent. Through such a complete exploration, the concerns and proposals of the industry and other interested parties will be fully examined; likewise the Department will ensure that the interests of the public are satisfied before reconstituting any part of the telecommunications delivery system available to the residents of Connecticut.

The implementation framework involves four phases: the initial conceptual infrastructure phase (which was completed with the issuance of the decision on November 1, 1994, in Docket No. 94-07-01, The Vision For Connecticut's Telecommunications Infrastructure), the competition phase (which includes this docket), the alternative regulation phase and the holding company affiliate phase. Pursuant to that framework, on July 13, 1994, the Department noticed the initiation of the present docket, DPUC Investigation of Local Service Options, Including Basic Telecommunications Service Policy Issues and the Definition and Components of Basic Telecommunications Service.

II. DOCKET SCOPE AND PROCEDURE

As contemplated by the established implementation framework, the Competition Phase involves a number of highly focused, limited discovery dockets in which the Department is addressing the issues raised by the legislature's commitment to broader market participation in Connecticut. In addition to the present proceeding, these dockets include: Docket No. 94-07-02, Development of the Assumptions, Tests, Analysis, and Review to Govern Telecommunications Service Reclassifications in Light of the 8 Criteria Set Forth in Section 6 of Public Act 94-83; Docket No. 94-07-03, DPUC Review of Procedures Regarding the Certification of Telecommunications Companies

and of Procedures Regarding Requests by Certified Telecommunications Companies to Expand Authority Granted in Certificates of Public Convenience and Necessity; Docket No. 94-07-04, DPUC Investigation into the Competitive Provision of Local Exchange Service in Connecticut; Docket No. 94-07-05, DPUC Investigation into the Competitive Provision of Customer Owned Coin Operated Telephone Service in Connecticut; Docket No. 94-07-06, DPUC Investigation into the Competitive Provision of Alternative Operator Service in Connecticut; Docket No. 94-07-08, DPUC Exploration of Universal Service Policy Issues; and Docket No. 94-07-09, DPUC Exploration of the Lifeline Program Policy Issues.¹

This docket was established pursuant to Section 5 of Public Act 94-83 which provides that "[i]n order to ensure the universal availability of affordable, high quality telecommunications services to all residents and businesses throughout the state regardless of income, disability or location, the Department shall . . . periodically investigate and determine, after notice and hearing, local service options, including the definition and components of any basic telecommunications services, necessary to achieve universal service and meet customer needs" Conn. Gen. Stat. § 16-247e (a), as amended by Public Act 94-83. In a Statement of Scope of the Proceeding and Procedural Order issued in this docket on October 19, 1994, therefore, the Department stated its intent in this proceeding to examine the range of local service options, focus on basic telecommunications service policy issues and determine the definition and components of basic telecommunications services.

In order to achieve that which the Department envisioned from this docket, the Department established a scope of directed inquiry involving a three-step process (position paper, comments and reply comments) to allow all who wished to participate the opportunity to express their views on local service options and basic telecommunications services.²

The Department directed participants specifically to address in their initial Position Paper the following areas of inquiry:

- What is your understanding of the current definition for and the components of basic telecommunications service in Connecticut?
- What is your understanding of the current definition for and the basic attributes of local telephone service in Connecticut?
- Describe the minimum operational, technical and functional attributes that should comprise the definition of basic service under the terms of Public Act 94-83. of local service.
- How does the definition of basic service change with any authorization by the Department of local exchange competition?

¹ The Competition Phase will also include dockets involving competitive service regulation, service standards, cost of service, unbundling, depreciation, revenue requirements, universal service funding, lifeline service funding, and participative architecture issues.

² The Department has used or is currently using this process in Docket Nos. 94-07-01 through 94-07-09 and has found it to be both efficient and effective as the Department formulates its opinions in each of the proceedings.

- How does the definition of local service change with any authorization by the Department of local exchange competition?
- To what degree can the definitions proposed above be uniformly applied to all incumbent and prospective providers of local exchange service?
- What rules and regulations will require amendment to ensure full compliance by all providers with any derived definition of basic service? of local service?
- What public benefit accrues from any modification of the current understanding of basic service? of local service?
- What public risk is incurred from any modification to the current understanding of basic service? of local service?

Statement of Scope of the Proceeding and Procedural Order, Docket No. 94-07-07, p. 2, October 19, 1994.

Following submission of the Position Papers, participants were given the opportunity to submit Comments, addressing the Position Papers of others. Thereafter participants were invited to submit Reply Comments to respond to the Comments. *Id.*, p. 4. The Department received eight Position Papers, seven Comments, and six Reply Comments.³ Hearings were held in this matter on January 25, 1995, and February 7, 1995, during which witnesses for all participants adopted the written submissions as their sworn, direct testimony, and all participants were provided an opportunity to cross-examine witnesses concerning those submissions. Participants were then given the opportunity to file briefs and reply briefs in this matter.

The Department issued a Draft Decision in this docket on February 15, 1995. All participants had the opportunity to file written comments and to present oral argument on the Draft Decision. All participants waived their opportunity for oral argument.

III. PARTICIPANTS' POSITIONS

To put the views of the participants in the proper context and to establish a foundation for the Department's discussion in this Decision, the following sections summarize each participant's submissions and identify the principal points of agreement and contention among the participants.

³ The Department received Position Papers from the following: Office of Consumer Counsel (OCC); Office of the Attorney General (AG); The Southern New England Telephone Company (SNET); AT&T Communications of New England, Inc. (AT&T); MCI Telecommunications Corporation (MCI); Sprint Communications Company L.P. (Sprint); Teleport Communications Group Inc. (TCG); and New England Cable Television Association, Inc. (NECTA). The following submitted Comments: OCC; AG; SNET; AT&T; MCI; NECTA; and Cablevision Lightpath, Inc. (Lightpath). OCC, AG, SNET, New York Telephone Company (NYTel), MCI, and NECTA also submitted Reply Comments. It is noted that the Department does not address in this Decision the Reply Comments of NYTel in that they are responsive to points made by other participants involving subsidies and will be addressed as appropriate in other dockets.

A. SUMMARY OF INDIVIDUAL SUBMISSIONS

1. Office of Consumer Counsel (OCC)

OCC believes "that for universal service to have meaning, basic telecommunications services must be available at all times and allow the customer to complete calls to any other telephone in the local service area and to access toll services." (OCC Position Paper, p. 3) OCC, therefore, recommends that "basic telecommunications service" be defined as "those services considered essential for minimally acceptable access to and use of the public switched telecommunications network." (*Id.*, pp. 3-4) According to OCC, the technical components of basic telecommunications service consist of the following facilities: 1) voice grade access line; 2) dialtone;⁴ 3) access to local and toll calling; 4) access to emergency services (E911); 5) access to assistance services; 6) statewide relay services for the hearing impaired; 7) directory listing (white pages); and 8) privacy protection such as call blocking. (*Id.*, p. 4) It is OCC's understanding that these eight items "essentially define 'basic service' as it exists currently." (*Id.*) In addition, OCC suggests that the following specialized services be included within the definition of basic service for particular customer subgroups with defined special needs: voice dialing for the sight-impaired; public voice mailboxes for the homeless; public voice mailboxes for populations with special privacy needs; and special directory assistance for the elderly and sight-impaired.⁵ (*Id.*)

OCC states that "[f]rom an operational or service standpoint, 'basic telecommunications service' can be defined either as flat or some degree of measured local voice calling." (*Id.*) According to OCC, "[t]he combination of these functional, technical and operational standards will ensure that, in a competitive marketplace, all customers will have minimally defined access to local and toll telecommunications services and to emergency and operator assistance services, with special equipment and services carefully targeted to meet the basic access requirements of 'unique needs' population subgroups." (*Id.*)

OCC believes that "flat-rated unlimited calling in a local geographic area should continue to be available as one option for basic service; however, until additional local service providers are actively offering basic local service, usage-based local calling options provided by telephone companies should also continue to be available to customers with different local calling needs." (OCC Comments, p. 3)

⁴ OCC suggests that touchtone be the basic dialtone standard, to be reached by all Connecticut providers of local exchange service as soon as is practical. (OCC Position Paper, p. 4)

⁵ OCC acknowledges that "[o]ne of the more vexing issues is how to decide what constitutes basic service for the disabled." (OCC Comments, p. 5) OCC states that in addition to demand, public benefit and cost, the Department should consider "whether the service/function provides an underlying capability necessary to access other basic service components and whether the service/capability would be available and affordable without government action." (*Id.*) OCC suggests the need for the Department to gather whatever information is required from the telephone companies and the relevant social welfare agencies to evaluate the OCC's proposal. (OCC Reply Comments, p. 3) AT&T calls the OCC's proposal for special services unnecessary and a costly barrier to entry. (AT&T Comments, p. 3)

It is OCC's view that the definition of basic service does not change immediately in consequence of the development of local competition. (OCC Position Paper, p. 5) "It is envisioned, however, that the infusion of competition into the local market will likely accelerate the pace of technological change and thus ultimately affect the components of basic service." (Id.) OCC adamantly contends that "[t]he obligation under the Act to ensure the universal availability of 'basic telecommunications service' is not and should not be dependent upon the presence or absence of competition in a particular service market." (Id.) Further, OCC states that "the nature or scope of universal service [should not] be dependent upon competitive forces." (Id.) "Whether the market is competitive or not, 'basic telecommunications services' should and must, as a matter of law, continue to be available to all residents and businesses in Connecticut." (Id.) Moreover, according to OCC, the Department should demand that all new local service providers in Connecticut meet the basic service standards and requirements. (OCC Reply Comments, p. 5)

On the issue of "local telephone service," OCC argues that it "must be defined in a way that maximizes the opportunity for competitive entry of all kinds." (OCC Position Paper, p. 8) According to OCC, "[a]n expansive definition of 'local telephone service' that recognizes unbundling will ensure that entities may compete not only in offering full competitive local networks, but also in providing one or more of the constituent facilities, services, or features used by customers of a local network." (Id.) OCC further contends that "local telephone service" should be "defined in a way that is both technology and usage neutral." (Id.) "That is, competition must be allowed for all telephone services provided within the local service market, regardless of the transmission technology (e.g. analog or digital), the transmission vehicle (e.g. copper wire, fiber, wireless, microwave or satellite), the nature of the originating or terminating device (e.g. traditional telephone set, modem or other device), or the nature of the communications (e.g. voice or data)." (Id.)

OCC thus recommends that "local telephone service" be defined as "all telecommunications instrumentalities, facilities, apparatuses, services and/or features used to provide a telecommunications service, as defined in Section 2 of the Act, within the local calling area." (Id.) According to OCC, the technical components of local telephone service "include not only bottleneck facilities such as the local loop, local (i.e. central office) switching, and local access (i.e. dialtone) but all other regulated features or services, such as voice mail service, call forwarding and call waiting, used in association with a telecommunications service, as defined in Section 2 of the Act." (Id.)

OCC counsels the Department that, in adopting a definition of local telephone service, it will have to decide whether to specify local calling areas, as exist now under the tariffs, or whether it will allow each service provider to identify its own local calling area. (Id., p. 9) The ultimate goal, argues OCC, is "to allow market forces to determine geographic coverage of competitive networks so that customers will have a choice of 'local' calling areas and all customer needs will be met by one or more competitors." (Id.) OCC further states that "[i]n the context of universal service, however, the Department may wish to specify a minimum local calling area, and allow

the market and technical feasibility to dictate the existence of geographically different alternatives." (*Id.*) In OCC's view, the definition of "local telephone service" does not change with the authorization of local exchange competition," but "will facilitate the development of full and 'effective' competition for all local services." (*Id.*)

OCC argues that "[t]he legislature's goal of 'effective competition' for telecommunications services is facilitated where all providers, whether incumbent or prospective, have the opportunity to provide all local telephone services." (*Id.*, Emphasis in original) Therefore, OCC states that any definition of "local telephone service" should "(1) be applied equally to both incumbent and prospective providers; (2) include as basic telecommunications services the defined list of services considered essential to minimally acceptable access to and use of the public switched telecommunications network . . . ; and (3) flexibly permit whatever additional features and services competing carriers wish to offer." (*Id.*, pp. 9-10)

In OCC's view, "the benefits associated with defining local telephone service expansively, to maximize competition, are substantial" while the "risks are relatively insignificant and can be fully addressed through limited regulatory oversight and intervention." (*Id.*, p. 11)

2. The Office of the Attorney General (AG)

The AG proposes the following definition of basic service: "Basic service means those components of the service that the residential consumer deems essential and expects will be a part of his basic service, at a price that reflects its cost." (AG Position Paper, p. 5) The AG thus believes that the components of basic service will evolve over time, and suggests that the appropriate method of identifying particular components may be to hold hearings and conduct consumer surveys and cost analyses. (*Id.*) "The criteria for identifying components may include 'the level of demand for a service or capability, its potential for social benefit, and its cost.'" (*Id.*, quoting *The Report of the New York Telecommunications Exchange*, at 32 (Dec. 1993))

The AG identifies as the essential components in basic service expected by the consumer today to be the following: line access (dialtone); touchtone; access to local and toll calling; unlimited local calls; access to and unlimited use of emergency numbers such as 911; access to information (411) and operator (0); White Pages listing; unlimited incoming calls; access to relay for the hearing impaired; and privacy services such as per line blocking. (*Id.*, pp. 4, 6) The AG agrees with other participants in this proceeding that basic service should not include services that the consumer does not want or need. (AG Comments, p. 4) The basic service components identified by the Department, however, according to the AG, should be required of all providers. (AG Reply Comments, pp. 4-5) In the AG's view, "it would be a cruel irony . . . if as a result of [Public Act 94-83], which is forward-looking, wants to promote advancement, consumers would lose . . . the basic package of local calling and other components of . . . basic service that they have come to sort of expect when they take their telephone service." (Testimony of Dr. Mark Cooper, January 25, 1995, p. 30) The AG states that "[w]ould-be market participants can and should offer new and innovative calling plans

beyond the basic service." (AG Comments, pp. 3-4) "It is the enhanced basic service offerings or basic service at a reduced rate, that spur competition and benefit the consumer, not a blank check to providers to strip down services in order to appear to be giving the consumer a better deal." (*Id.*, p. 4)

The AG states that "an important component to providing high quality telecommunications services will be maintaining its affordability." (AG Position Paper, p. 6) Thus, the AG encourages the Department to review, on a continuous basis, the prices that captive ratepayers pay for basic service. (*Id.*)

In the AG's view, "the components of basic service may change as a result of local exchange competition." (*Id.*, p. 7)

As competition increases, carriers should seek to make technological advancements essential and expected by the consumer. When those technological advancements become commonplace and appeal to the masses, so that they become essential and expected, they should then become components of basic service. Thus, competition should speed up technological advancement and acceptance and thrust basic service consumers into a high-tech information age. Similarly, until such advancements are essential and expected, they ought not to be subsidized by basic service.

(*Id.*) The AG argues that competition should also drive down the cost of basic service, as more competitors use the lines and pay the telephone companies for such use.⁶ (*Id.*, p. 8)

On the issue of local service, the AG states that its definition "should be one that is market driven." (*Id.*, p. 9) The AG cautions, however, that "[m]inimum local service areas should . . . be defined until the market for basic service is deemed competitive." (*Id.*) It is the AG's concern that consumers be protected "from being lulled into changing providers by the appearance of cheaper local service, when in fact unbeknownst to consumers, the 'local' service area is defined by providers in a much more restricted manner, that makes local service more costly. (AG Reply Comments, p. 3)

3. The Southern New England Telephone Company (SNET)

SNET states that there is no universally accepted definition of basic service today. It suggests that, "at the most fundamental level, basic service is end user access to the 'network of networks,' and includes that minimum access functionality that must be offered by a carrier, as a matter of public policy, before that

⁶ SNET is troubled by the AG's contention and states that the AG "is essentially designing its own subsidy system without regard to either the existing local exchange carriers' or competitive providers' costs of service." (SNET Comments, p. 2) SNET thus suggests that an "examination of subsidies and methods to address them is most appropriately done as part of other proceedings." (*Id.*)

carrier is certified to provide end user network access service in Connecticut." (SNET Position Paper, p. 1) SNET suggests that the following principles be used in defining basic service: demonstrated need or demand for a functionality; public benefit associated with a functionality; underlying functionality necessary for access to other services; and availability without government action (i.e. where there is real doubt about the power of competition to produce the functionality, regulation should require its delivery as a part of basic service). (*Id.*, pp. 3-4) According to SNET, basic service today consists of: dial tone-voice grade access to the first switching point; touchtone capability; access to operator, directory and emergency service; implicit and explicit service standards;⁷ and interoperable access to all other networks operating in the state. (*Id.*, p. 4) It is SNET's view that, "while greater detail is necessary, the categories are right for today." (*Id.*)

SNET further articulates its view that "[a]ny requirements to provide basic service should apply equally to all local exchange providers." (*Id.*, pp. 4-5) "Likewise, any changes in the definition of basic service must apply to all certified providers." (*Id.*, p. 5)

SNET argues that "[w]hile we think of basic service today as synonymous with local exchange service, the two are not the same." (*Id.*, p. 1)

Both include access to the larger network, including the networks of other providers. The term 'basic service', however, implies functionality, while 'local service' implies a rate plan. Both may change and evolve, the former as technology and customer needs develop, the latter as competition develops and customer calling patterns change. . . .

Local service also changes constantly as customers request additional local calling, or changes in local calling areas. Essentially, local service is a rate plan that is a byproduct of the historical differential in 'local' and 'long distance' pricing. Over time this is a distinction that will have less and less importance as transport costs come down, and as competition drives increasing diversity and customization in available calling plans.

(*Id.*, pp. 1-2) In SNET's view, the competitive market should drive changes in local service over time; changes forced by regulation could actually be counter productive at this time. (*Id.*, p. 3) According to SNET, "[a]lthough all providers initially may begin with the same local exchange boundaries as SNET, eventually all providers should be allowed to construct their own offerings and pricing plans." (*Id.*, p. 5) "In this way, the local exchange market can truly be shaped by the forces of competition and consumer needs." (*Id.*)

⁷ OCC concurs that some kind of quality of service standards should be applicable to all basic service providers. (OCC Comments, p. 3)

4. AT&T Communications of New England, Inc. (AT&T)

AT&T states that "[b]asic telephone service and universal service are closely entwined in Connecticut as well as across the country." (AT&T Position Paper, p. 2) According to AT&T, "[u]niversal service should be viewed as a concept whereby telecommunications services providers must make basic telephone service and access to network capabilities available to all subscribers." (*Id.*) AT&T thus states that the "definition of universal service is not subject to change since it is a concept that requires that technology be universally deployed and available." (*Id.*) "Basic telephone service, however, is the subset of universal service that should be available to all consumers regardless of their ability to pay." (*Id.*)

In AT&T's view, therefore, for the present, basic telephone service should be confined to "voice grade dial tone, Touch Tone, repair service, telecommunications relay service, access to Directory Information (411) and 911 emergency service, white pages directory listing and, possibly, a limited amount of local usage."⁸ (*Id.*) AT&T does not believe, however, that the definition of basic service is fixed. "As new services become socially or economically desirable and accepted in the marketplace, the definition of basic service can be expanded to include such services." (*Id.*, pp. 2-3)

AT&T posits that the "definition proposed for basic telecommunications service can and should be uniformly applied to all incumbent and prospective providers of local exchange service to guarantee that all Connecticut residents have access to the same subset of universal service regardless of their ability to pay." (*Id.*, pp. 5-6) "To do otherwise would defeat the whole purpose for establishing basic service requirements and would not, therefore, be in the public interest." (*Id.*, p. 6)

AT&T understands local service today to mean "wireline local telephone service between two customer locations served by the same local exchange switch, or by separate switches located at the same physical address defined by V&H coordinates."⁹ (*Id.*, p. 3) With the emergence of competition, however, AT&T contends that "new providers should be permitted to determine for themselves what constitutes local service so that they are not deterred from entry, and consumers reap the powerful benefits of competition, namely enhanced choices at affordable prices." (*Id.*) Likewise, AT&T believes that "once effective competition has been demonstrated for all of the incumbent LEC's basic network functions, the incumbent should also be able to define local service as it sees fit." (*Id.*, p. 4)

It is AT&T's view that "with competition, and commensurate modifications in what constitutes local and basic services, consumers will have access to the best that modern technology can offer at affordable prices." (*Id.*, p. 6) According to AT&T,

⁸ AT&T, in its Comments, seems to amend this position by including access to the local and long distance switched networks and excluding repair service. (AT&T Comments, pp. 2-3)

⁹ OCC disagrees with this definition, stating that it is "too restrictive a definition as it may disqualify as 'local service' service in extended local calling areas served by two or more switches that have different V&H coordinates. (OCC Comments, p. 9)